



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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September 6, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVE PHASE I BILLING RATES FOR CONTRACT CITIES IMPLEMENTED
OVER A TWO-YEAR PERIOD BEGINNING IN FISCAL YEAR 2006-07
(ALL DISTRICTS) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve including the costs for the eight chargeable internal support units identified in Auditor-Controller's Phase I report in the billing rates for contract cities over a two-year period beginning in Fiscal Year (FY) 2006-07.
2. Postpone further work on Phase II until the full implementation of eCAPS is completed and the Sheriff has implemented time collection and cost allocation measures.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The purpose of the recommended actions is to include in future years all legally chargeable costs attributable to contract cities in the contract cities billing rates. In an effort to allow the contract cities time to adjust to the cost increases, we recommend that the resultant increase in billing rates be phased in over a two-year period beginning in FY 2006-07.

The total potential costs increases would be approximately \$6.7 million based on FY 2004-05 rates. The potential cost increases for each city, based on FY 2004-05 rates, is included in Attachment 1.

The Chief Administrative Office and Auditor-Controller considered several options, including not billing the legally chargeable costs, billing a portion of the costs, and phasing in the costs over one or more years. The potential impacts on law enforcement were part of this evaluation.

We also recommend that the Board direct the Auditor-Controller to delay Phase II of the study until the Sheriff's Department establishes the necessary data collection systems to provide a basis to identify and track the portion of service time and expenditures attributable to contract cities, independent cities, and the unincorporated territory.

This would allow the Sheriff's Department to set-up program cost accounting systems using the new functionality in eCAPS to track its costs for all its programs and grants. In addition, it would allow the Sheriff's Department sufficient time to evaluate its employee timekeeping system to ensure it provides adequate and efficient time accountability for all employees, as well as service time by program/job costing.

Implementation of Strategic Plan Goals

Approval of the recommendations supports County Strategic Plan Goal No. 4, Fiscal Responsibility, by identifying and securing an available revenue source for the County.

FINANCING/FISCAL IMPACT

The Auditor-Controller has determined that the potential \$6.7 million in costs for 8 of the 14 internal support units previously excluded from contract city billing rates could be legally billed to contract cities under the Gonsalves Act and current Board policy. County Counsel agrees with this assessment. These unbilled additional costs would represent an increase of approximately 3.8 percent for each contract city. It should be noted that the \$6.7 million in potentially billable costs was calculated using available FY 2004-05 cost and billing information. When billing rates are calculated for FY 2006-07 and subsequent years, the additional amounts charged to cities could be higher or lower depending on any Sheriff cost or organizational changes.

Phase II was a review of 19 Sheriff Department organization units. These support services have historically been provided to contract and independent cities without charge in accordance with current Board policy adopted in the 1970's. In Fiscal Year 2005-06, costs for these services are estimated to be approximately \$209 million. The Auditor-Controller's preliminary findings in a May 13, 2005 report on three units indicated that the Sheriff's current systems and procedures are not designed to identify and track the portion of service time or expenditures provided in contract cities, independent cities, or unincorporated territory.

On July 6, 2005, the Auditor-Controller reported to the Board that the Phase II review would be discontinued until alternative billing options for Phase II services were developed. In mid July 2005, the CAO and Auditor-Controller considered various alternative billing approaches. However, none of the potential billing options were deemed feasible at this time due to the absence of cost allocation data.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On May 25, 2004, your Board directed the Auditor-Controller to review each of the Sheriff's organizational units to identify costs that are excluded from the contract city cost model by current Board policies established in the 1970's, and to make recommendations regarding billing those costs. The Auditor-Controller was also requested to report on potential unintended outcomes of billing the costs, including potential impacts to public safety.

The study was divided into two parts. Phase I analyzed internal support unit costs, which are not currently billed to contract cities, to determine whether the services are potentially attributable to, and are impacted by, contract cities. In Phase II, the Auditor-Controller reviewed organizational units, currently unbilled by Board policy, that generally provide direct services to contract cities, independent cities, and unincorporated territory. A complete list of Phase I and Phase II units is included in Attachment 2.

The Auditor-Controller's March 10, 2005 report on Phase I concluded that 8 of 14 internal support units are billable. The Sheriff provided a response to the Auditor-Controller's report stating that 6 of the 8 units are potentially billable. The Sheriff believes that the Office of Independent Review and Bureau of Compliance may not be billable under the Gonsalves Act and current Board billing policy. The Sheriff also believes that for certain units the calculations of the amounts chargeable to contract cities may be excessive. Sheriff staff stated they are developing data to refine the chargeable amounts. The Auditor-Controller reanalyzed the costs in these units and continues to believe they are billable under Gonsalves and current Board policy. County Counsel agrees with this assessment. We also believe that the costs attributable to contract cities are accurate because the Auditor-Controller calculated the costs using the current Board-approved cost allocation model. The Auditor-Controller responded to the Sheriff's concerns in a July 15, 2005 report to your Board.

IMPACT ON CURRENT SERVICES

As directed by your Board, we attempted to identify potential unintended outcomes that may result from increasing billings to contract cities, including potential impacts to public safety. The most significant concern expressed by the California Contract Cities Association (CCCA) and others was that if billing rates are increased, some contract cities may choose to reduce the amount of law enforcement services they purchase. If cities reduce services in proportion to the potential \$6.7 million rate increase, in total cities would purchase from 37 to 45 fewer deputies Countywide depending on the types/levels of deputies reduced. There are currently approximately 1,000 deputies participating in the Contract City Program. They also pointed out that this could result in longer call response times and reduce public and officer safety.

The CCCA and others also noted that contract cities may consider contracting with other local police departments, or forming their own police departments. The Sheriff's Department contends significant city losses could reduce the Sheriff's staffing flexibility and could impact the Sheriff's ability to provide certain Countywide services and emergency services, as there would be less sworn staff available overall.

However, the impact to public safety due to a reduction in services requested by contract cities would be mitigated if the Sheriff utilized these positions to expedite the expansion of unincorporated patrol.

CONCLUSION

Approval of this request will allow the County to recoup all legally chargeable costs attributable to contract cities and the provision of services pursuant to the Gonsalves Act and current Board policy.

Following Board approval of these recommendations, the Executive Officer-Clerk of the Board is requested to return a copy of the adopted Board letter to the Chief Administrative Office and the Auditor-Controller.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen".

DAVID E. JANSSEN
Chief Administrative Officer

A handwritten signature in black ink, appearing to read "J. Tyler McCauley".

J. TYLER MCCAULEY
Auditor-Controller

DEJ:JTM:DL:
RG:SW:YR:yf

Sheriff Contract City Billing Practices Review
Estimated Cost Increase by Contract City

Contract City	Estimated FY 2004-05 Billings	1	3.8% Increase	2	Total	3
AGOURA HILLS	\$ 2,274,043		\$ 85,504		\$ 2,359,547	
ARTESIA	2,059,556		77,439		2,136,995	
AVALON	859,200		32,306		891,506	
BELLFLOWER	6,208,128		233,426		6,441,554	
BRADBURY	57,583		2,165		59,748	
CALABASAS	2,967,588		111,581		3,079,169	
CARSON	10,920,937		410,627		11,331,564	
CERRITOS	8,073,569		303,566		8,377,135	
COMMERCE	4,131,246		155,335		4,286,581	
COMPTON	11,435,711		429,983		11,865,694	
DIAMOND BAR	3,900,772		146,669		4,047,441	
DUARTE	2,293,910		86,251		2,380,161	
HAWAIIAN GARDENS	2,168,484		81,535		2,250,019	
HIDDEN HILLS	230,172		8,654		238,826	
INDUSTRY	5,011,396		188,428		5,199,824	
LA CANADA FLINTRIDGE	1,760,617		66,199		1,826,816	
LA HABRA HEIGHTS	627,398		23,590		650,988	
LAKEWOOD	6,358,232		239,070		6,597,302	
LA MIRADA	4,689,228		176,315		4,865,543	
LANCASTER	11,251,641		423,062		11,674,703	
LA PUENTE	3,651,003		137,278		3,788,281	
LAWNDALE	3,461,193		130,141		3,591,334	
LOMITA	1,804,605		67,853		1,872,458	
LYNWOOD	5,425,322		203,992		5,629,314	
MALIBU	3,694,803		138,925		3,833,728	
NORWALK	7,502,656		282,100		7,784,756	
PALMDALE	12,395,070		466,055		12,861,125	
PARAMOUNT	5,242,168		197,106		5,439,274	
PICO RIVERA	6,301,228		236,926		6,538,154	
RANCHO PALOS VERDES	2,796,691		105,156		2,901,847	
ROLLING HILLS	154,218		5,799		160,017	
ROLLING HILLS ESTATES	1,286,275		48,364		1,334,639	
ROSEMEAD	4,434,625		166,742		4,601,367	
SAN DIMAS	4,024,674		151,328		4,176,002	
SANTA CLARITA	10,749,884		404,196		11,154,080	
SOUTH EL MONTE	2,414,672		90,792		2,505,464	
TEMPLE CITY	2,445,147		91,938		2,537,085	
WALNUT	2,173,294		81,716		2,255,010	
WEST HOLLYWOOD	10,549,126		396,647		10,945,773	
WESTLAKE VILLAGE	1,422,765		53,496		1,476,261	
GRAND TOTAL	\$ 179,208,830		\$ 6,738,252		\$ 185,947,082	

Footnote Legend

- ¹ The total billings for the contract cities are based on the July 1, 2004 service levels and the fiscal year 2004-05 contract city service unit rates.
- ² The 3.8% increase (3.76% rounded) is based on adjusted contract city costs as indicated in the Auditor-Controller's July 15, 2005 report.
- ³ The total costs (including any increases resulting from the Auditor's review) will be adjusted annually and will vary from year-to-year due to any changes in the Sheriff's organization and any changes in service levels requested by cities.

**Sheriff Contract City Billing Practices Review
Phase I and Phase II Costs by Organizational Unit**

<u>Phase I</u>		<u>Phase II</u>	
Organizational Unit	Est. Total Costs for FY 2004-05 ¹	Organizational Unit	Est. Total Costs for FY 2005-06 ²
Admin Services Division Admin	\$ 16,652,773	Arson/Explosives	\$ 5,157,596
Advance Training	\$ 6,854,448	Cargo Theft	\$ 1,262,506
Aero Bureau	\$ 11,992,512	Communications	\$ 34,001,912
Contract Law	\$ 2,182,544	Computer Crimes	\$ 1,895,440
Data Systems	\$ 34,760,040	Detective Division Admin	\$ 1,656,428
Facilities Services	\$ 41,364,070	Emergency Operations	\$ 5,920,294
Field Oper Regions I, II and III Admin	\$ 9,111,621	Family Crimes	\$ 7,415,243
Internal Affairs	\$ 6,313,194	Forgery/Fraud	\$ 9,529,084
Internal Criminal Investigations	\$ 3,937,381	Homeland Security Admin	\$ 2,588,247
Leadership and Training Admin	\$ 3,250,991	Homicide Bureau	\$ 22,010,257
Office of the Assistant Sheriff	\$ 1,797,282	Major Crimes Unit	\$ 13,016,853
Office of the Sheriff	\$ 2,208,267	Narcotics Bureau	\$ 22,460,209
Office of the Undersheriff	\$ 8,833,364	Records and Identification	\$ 17,457,704
Sheriff's Headquarters	\$ 7,209,515	Recruit Training	\$ 11,541,221 ³
		Reserve Forces	\$ 2,100,977
		Safe Street Bureau	\$ 13,947,625
		Scientific Services	\$ 22,289,225
		Special Enforcement	\$ 12,857,715
		Technical Services Admin	\$ 2,282,882
Total Estimated Costs:	\$ 156,468,002		\$ 209,391,418

Footnote Legend

- ¹ The total costs for the organizational units reviewed in Phase I of our review were calculated based on our review of the Sheriff's FY 2004-05 accounting and personnel records. It should be noted that these total costs will be adjusted annually and will vary from year-to-year based on changes in the Department's salaries and employee benefits and occasional changes in the Sheriff's organization.
- ² We did not complete a detailed review of the estimated costs for the Phase II organizational units. The FY 2005-06 Phase II amounts are based on our preliminary review of the Sheriff's current accounting and personnel records.
- ³ The total estimated Recruit Training costs indicated in our May 13, 2005 report was \$20.4 million based on available FY2004-05 data. The reduction to \$11.5 million is due primarily to the Sheriff removing the Professional Development Bureau (PDB) from Recruit Training in FY 2005-06 and separately classifying PDB's costs. Prior to FY 2005-06, the Sheriff combined PDB and Recruit Training expenditures in their accounting records.